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UNCLAS SECTION 01 OF 02 SINGAPORE 000381

STATE PASS USTR
TREASURY FOR RAND

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SUBJECT: SINGAPORE REACTION TO OECD TAX HAVEN LIST

REF: A. SINGAPORE 294 (NOTAL) B.SINGAPORE 372

11. (SBU) Summary: Singapore Deputy Secretary of Finance Ng Wai Choon, in the course of a meeting with the Charge d'Affaires (CDA) on another matter, expressed concern that the OECD's process of classifying tax havens is not transparent or fair. The GOS was disturbed that the OECD had not placed Hong Kong or Macau on its "gray list," Ng said. CDA responded that he had no instructions but would report Ng's comments to Washington. Ng said the GOS plans to take steps to bring its practices on tax information sharing in line with OECD standards (ref A). He said the GOS hopes to open discussions on a Double Taxation Treaty with the United States. Finatt noted that the USG has concerns about the "treaty shopping" issue. End Summary.

Singapore Concerned about OECD Process

12. (SBU) At an April 17 meeting requested by CDA to discuss issues relating to Kosovo's bid to join the IMF and World Bank (ref B), Singapore's Deputy Secretary of Finance Ng Wai Choong raised concerns about the integrity of the OECD's process for determining classifications of tax havens, citing the OECD's apparently last-minute decision to remove Hong Kong and Macau from the lists of jurisdictions altogether. (Note: The two were mentioned only as a footnote to China's rating.) Ng said the GOS believes there should be a transparent, impartial and multilateral approach for monitoring and assessing compliance with international standards on the part of all jurisdictions, onshore and offshore. The Ministry has written to the OECD Secretary General to confirm that the OECD classifies Hong Kong and Macau in the same category as other financial centers like Singapore, Switzerland and Luxembourg, i.e. jurisdictions that have committed to the OECD Standard but have yet to substantially implement it. Without the inclusion of Hong Kong and Macau, the GOS believes the process cannot be regarded as impartial and trustworthy. CDA responded that he had no instructions but would report Ng's comments to Washington. Ministry of Finance staff told Finatt separately that unless Hong Kong and Macau are included "the legal and moral basis for any subsequent actions arising from such a categorization will also be challenged."

Singapore's Status

13. (SBU) Ng said that the GOS accepts the OECD's classification of Singapore as not a "tax haven" but rather a "financial center" that has committed to the OECD Exchange of

Information Standard but has yet to substantially implement it. Ng said he preferred that there be no lists, but acknowledged Singapore has shortcomings in sharing of tax information. (Note: The OECD's April 2 list, formally known as "A Progress Report on the Jurisdictions Surveyed by the OECD Global Forum in Implementing the Internationally Agreed Tax Standard," is available at <http://www.oecd.org/dataoecd/38/14/42497950.pdf>. End Note.)

Singapore Still Interested in Tax Treaty with USG

¶4. (SBU) Ng relayed Singapore's continued interest in negotiating a Double Taxation Treaty (DTA) with the United States. He said the GOS plans to take steps to bring its practices on tax information sharing in line with OECD standards. (Note: Previous discussions between Singapore and U.S. Treasury tax policy experts in the fall of 2006 had faltered on two key areas of disagreement: (1) Singapore's limits on exchanging information and (2) the U.S. policy of limiting benefits to Singaporean individuals and companies to avoid "treaty shopping" or use of a bilateral tax treaty by third-country entities.) Doreen Tan, the Ministry of Finance's Chief Tax Policy Officer, said the upcoming changes to Singapore's tax laws should overcome the disagreement over information sharing. Finatt noted that the USG also has concerns about the "treaty shopping" issue. Tan could not confirm whether there had been a change in GOS views with respect to the U.S. requirement to limit benefits to avoid treaty shopping.

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